

Wisconsin Health Insurance Risk Sharing Plan (HIRSP)

Background

HIRSP is the insurer of last resort in the individual market in Wisconsin and also functions as the state's alternative mechanism for compliance with the Health Insurance Portability and Accountability Act (HIPAA). It offers a subsidized health insurance policy to those persons who are unable to purchase insurance in the private market. Only individual policies are offered – group coverage is not available. Employers are not permitted to divide their employees into subgroups based on health condition for the purpose of offering insurance.

HIRSP offers 3 coverage options to enrollees. There is a major medical policy with 2 deductible options - \$1000 annually or \$2500 annually, and Medicare eligible persons are enrolled in a Medicare wrap-around policy.

The state currently provides \$11 million GPR annually to support HIRSP. By statute, HIRSP premiums are set to recover 60% of the remaining plan costs, and the other 40% divided equally between assessments on insurers and health care providers. A subsidy of the program premiums and copayment is available for lower income policyholders. Enrollment has increased rapidly in the past year and is currently approximately 12,000.

State statutes govern eligibility for HIRSP. There are two major eligibility categories:

- Eligible individuals are able to enroll in HIRSP because of HIPAA eligibility. They must have at least 18 months previous health insurance coverage, with no gap in coverage of more than 62 days and their most recent coverage must be employer sponsored group coverage.
- Eligible persons may enroll in HIRSP after having produced a denial of coverage by another insurer or being rated up more than 50%.

Options

1. Limit insurers assessment base to the premium collected on small employer health insurance business.
2. Allow employers to designate certain individuals out of a group to be HIRSP eligible.

Pros

- Insurers may reduce premiums on small groups because they do not pay HIRSP assessments on these premiums
- Would initially reduce health insurance costs for small employers who have unhealthy members of their group.

Cons

- Currently, HIRSP assessments are divided on a pro rata base among all group health insurance writers in the state. Limiting the premiums upon which the assessment is calculated would not limit the overall amount of the assessment, but would divide the total assessment among a smaller sized pool. Insurers who are writing only in the large group market would, in effect, be exempt from participating in HIRSP, giving more insurers an incentive to withdraw from the small group market.
- Allowing employer groups to move individuals off group health plans into HIRSP would have the impact of raising overall HIRSP plan costs. Since insurers and providers pay 40% of the overall cost of HIRSP, the costs would eventually be transferred back to these groups through the assessment mechanism, ultimately raising premium costs.
- Could cause administrative and financial difficulties for insurers to identify and report premiums paid to them by small employers.